30 APR 1975

MEMORANDUM FOR: Chief, Logistics Services Division, OL

SUBJECT : Possible Savings in Procurement of Goods and Services

REFERENCES : (a) Multiple Adse Memo dtd 17 Apr 75 fr C/LSD/OL, Subj: Cost Effectiveness of Requisitioning/Procurement

(b) Ltr dtd 24 Mar 75 to Dept. & Agency Heads fr Comptroller General of U.S., same subj

1. Your research concerning costs of purchases from GSA's supply system in comparison to buying identical items directly from commercial sources is particularly opportune and has been reviewed with interest. We have also received a "Report to the Congress" prepared by the Comptroller General of the U. S. which has been forwarded to all agencies (reference b). This report extols the virtues of using GSA to a greater extent to achieve significant savings in Government procurement of common-use goods and services.

2. We are now engaged in a study of the Comptroller General's report, with a view toward forwarding our study results to the DDA. We plan to include your research on this matter in the study, as well as the viewpoints of the Supply and Procurement Divisions. Accordingly, we will contact your representative regarding further study inputs and will furnish you a copy of the study results as eventually proposed for transmittal to the DDA.

STAT [redacted]

Chief
Plans and Programs Staff, OL

cc: D/L
C/PD/OL
C/SD/OL

Distribution:
0 + 1 - Adse
(1) OL/P&PS (Official)

STAT OL/P&PS: [redacted] (30 Apr 75)

4/30/75

OL 5 2048

PROCUREMENT STUDY OUTLINE

I. PURPOSE

To look at total procurement function (both PD and SD except teams)

Varying procurement methods and procedures

Document flows

Workloads

Problems

II. METHOD OF STUDY

Statistics gathering in PD and SD (used their statistics, not validated independently)

Interviews with PD and SD personnel

Statistical averages

III. TIME PERIOD COVERED

Basically, first 6 months of FY 1975 (July - December 1974)

Some statistics from prior periods for comparison

IV. FINDINGS (Paragraph numbers of study are in parenthesis)

A. PPA commitments/obligations running ahead of PRA encumbrances (3.a. thru 3.c.); 52 percent to 49 percent

1. Backlogs increasing procurement administrative lead time (3.c. and 3.e.); average 4 weeks--up to 6 weeks in December; means SMB increasing stockage objectives

2. Other consequences (3.a. and 3.b.); need more depot storage; O.H. 25; D.I. 15.9 (63 percent); D.O. 3 (12 percent)

B. Comparison of SPB and GPB activity

1. SPB handling 34.9 percent of line items - 1.3 percent of dollars (3.d.)

2. GPB handling 39.5 percent of line items - 24.4 percent of dollars (Atts F and G)

3. IPSS/GPB averages $289 per line item and $902 per instrument (3.f.)

4. APSS/GPB averages $655 per line item and $1794 per instrument (3.f.)

5. SPB averages $43 per line item and $166 per instrument (3.f.)

C. Possible under-utilization of resources/authorities

1. SPB dollar averages low compared with charter authorization (3.f.)

STAT 2. [redacted] soliciting work (3.g.)

3. Much of GPB work could have gone to [redacted] blanket purchase agreements STAT

4. Delegations of authority in GPB may be ~~restricted~~ restrictive to $500 procurement officer (3.i. and 3.j.)

D. Workloads/Productivity

1. GPB - Production (3.k.) -- average 9.8 people do 34 purchase instruments/daily; 3.6 instruments per person per day

STAT 2. [redacted] (3.1.) -- not ~~marked~~ marked; looking for work

E. Procurement Functions Fragmented

1. SD has SPB and IDSB (3.m.)

STAT 2. PD has GPB, [redacted] and contract functions (3.m.)

3. Procurement actions within PD are assigned by SMB/SD (3.m.) -- only PD knows its workload

F. SPB

1. Receives actions by diversion (3.n.)

2. (a) 2 out of 3 requisitions diverted - what this means

2. Advertisement and direct submission by customers (3.s.)

3. Effects of diversion (3.p.) - PRA vs funds

4. Constraints of SPB charter (3.o. and 3.r.)

Lifting constraints market shortages preclude 30 day; SPB helps vendor pay problem; accounting easier; shorter procurement lt.

(a) Dollar limitations -- estimates off - return (3.o. and 3.q.)

(b) Split requisitions (3.o.)

(c) 30-day time limitation -- if 60 - return (3.q.)

G. Overall Supply/Procurement Workload

1. Line item decrease over last 18 months (3.t.)

2. Procurement line items declined--about same percentage to stock (3.u.)

H. Management of Procurement

1. Fragmentation--now exists (3.m.)

2. Consolidation--is needed; under CT; except service and production contracts (3.v.)

3. Effectiveness evaluation--need standard of procedure (3.w.)

I. Use of Minicomputers (3.x. thru 3.z.)

1. Research

2. Nomenclature update

3. Systems currently planned by OJCS either do not provide above capabilities or do not provide them in the manner we would like

J. Summary

1. Conclusions

(a) Procurement administrative lead time and consequences (4.a.)

(1) Increase buys--deplete PPA

(2) Strain warehouse

(3) Diminish confidence--more FLIP

(b) Dispersion of procurement functions (4.b.)

(c) Lack of capability to link procurement management and supply management data elements by computer--tapes out of date (4.c.)

(d) Factors contributing to backlogs (4.d.)

(1) P&CS - clerical help not trained

(2) GPB - untrained procurement officers; schedule workload; control restrictions

(e) Procurement resources not maximized-[redacted] SPB, GPB (delegation of authority)--distribute workload better (4.e.) STAT

(f) SPB constraints--30 days-200/2500--direct not divert (4.f. and 4.g.)

2. Recommendations

(a) Short range (5.a.)

(1) Relax GPB delegations of authority (5.a.(1))

(2) Extend use of BPA's (5.a.(2))

(3) Standardize reporting procedures (5.a.(3))

(4) PD assignment of PD actions (5.a.(4))

(5) Advertise SPB (5.a.(5))

may later require on-site person

(6) Increase dollar limitations on SPB (5.a.(6))

(7) Extend turnaround time for SPB actions and outside metro area (5.a.(7))

(b) Long Range (5.b.)

(1) Incorporate GPB and [redacted] into Commodity Teams (5.b.(1)) STA

(2) Study feasibility of minicomputers (5.b.(2))

STAFF STUDY

PROCUREMENT FUNCTION

1. This study was conducted in response to a request of the Director of Logistics that an evaluation of the policies and procedures associated with the procurement function be made.

2. The objective of the study was to analyze the procurement function with the view of evaluating the efficiency with which the task is being executed. Preparation and formalization of the study relied heavily on the measurement of input and output flows between Supply Division (SD) and Procurement Division (PD). Measurements were then reduced to statistical averages for the purpose of ascertaining central tendencies and to foster a better comprehension of how documents moved through the system and reasons for interruptions in document flows. The analysis concentrated on the collection and interpretation of statistical data rather than its verification. Any effort to validate the accuracy of data would involve much additional research. This shortcoming notwithstanding, it is believed that conclusions of the study accurately present the state of the system and can be used for decision making. Other sources of information included in the study were obtained through interviews with SD and PD personnel and the review of official delegations of authorities.

3. Discussion:

STAT a. Approximately [redacted] in funded Property Procurement Allotment (PPA) was allotted to Logistics for procurement. As of 30 December, approxi-
STAT mately 52 percent of this total, [redacted] had been committed/obligated.
STAT Contrastingly, [redacted] was approved in the Property Requisitioning Authority
STAT (PRA) accounts of which [redacted] or slightly over 49 percent, was committed at the end of December (see attachment A). Assuming that the variance between these two quantums is valid, it is probable that balances in the PPA's will be exhausted before balances in companion PRA accounts. STAT

b. Attachment B values assets at [redacted] at approximately [redacted] STA
STAT dues-in at approximately [redacted] and dues-out at approximately [redacted] ST
Percentage wise, dues-in constitute 63 percent of the dollar value of assets on hand, dues-out approximately 12 percent. Assuming accuracy of this data, the 63-percent due-in less the 12-percent due-out, means that [redacted] may STAT have to face an approximate 50-percent increase in the dollar value of materiel to be warehoused in the near future as well as a premature exhaustion of PPA.

c. The recorded imbalance between the dollar value of dues-in and the dollar value of assets on hand may be attributable, in part, to procurement processing delays. Attachment C indicates that General Procurement Branch (GPB) processed an average of 685 actions per month over the past 6 months. Attachment D computed the average backlog for a comparable period of 828 actions per month, which represents an average backlog of approximately 5 weeks. The backlog, however, is increasing as depicted in attachment E which shows a 6-week

backlog at the end of December. Supply Management Branch (SMB) must, therefore, increase system-stockage objectives to compensate for processing delays which result in an application of PPA. Data presented in preceding paragraphs confirm that a portion of the difference between the 52-percent obligation/commitment of the PPA's and the 49-percent plus commitment of PRA may have resulted, in part, from increases in procurement-administration leadtime on stock-replenishment actions.

d. The Special Pprojects Branch (SPB) was activated in late summer to relieve GPB of handling the surge of supply actions processed to Procurement Division (PD). The mission of this branch was to purchase low cost, non-repetitive-demand items not maintained in the supply system on a quick-reaction basis. Analysis of workload statistics pertaining to operations of this branch confirms that SPB now handles 35.3 percent of the total number of line items procured by components of the system (see attachment F). Contrastingly, the dollar value of procurement handled by this branch represents 1.3 percent of the total amount expended from the procurement allotment (see attachment G). These figures indicate that SPB is performing its mission within constraints imposed in its enabling charter.

e. Assuming an organizational objective to be that of reducing administrative procurement leadtime, it follows that specific components having inordinately high backlogs must be identified. Attachments D and E shows an approximate 6-week backlog in GPB as of the end of December 1974. The backlog in Production and Services Contracts Section (P&SCS) can be computed at approximately 4 weeks on the basis of data set forth in attachment H. This latter

backlog, however, includes service contracts as well as unfunded contract actions such as changes in scope, delivery leadtime, etc., and does not significantly degrade property acquisition and distribution functions. Accordingly, GPB constitutes the most critical problem area.

f. Attachment I shows the average dollar value of transactions procured through each component of the system for a 6-month time interval. The average dollar of each line item processed by Industrial Products Services Section (IPSS), GPB, was $289 with an average value of $902 per instrument. The dollar value for each line item processed by the Administrative Products and Services Section (APSS), GPB, was computed at $655 per line item with an average value of $1,794 per purchase instrument. SPB averages were significantly lower and computed out at $43 per line item and $166 per purchase instrument. Considering that the delegation of authority allows SPB to purchase an expendable line item valued at $200 or less, with total line item cost not to exceed $2,500, it is evident that SPB is not being utilized to the extent envisioned in the delegations of authority.

g. The conclusion that system resources are not being utilized to the extent possible must be critically examined before the argument can be positively verified. There are indicators which support this proposition. Supply Division (SD) and PD personnel have indicated [redacted] ST TAT [redacted] screened requisitions involving purchase action before the documents were released by SMB to PD. Apparently, the objective of this screening exercise was to slug candidate actions for handling by [redacted] before ST documentation left SD. Analysis of attachment F reveals that workload factors

TAT [redacted] increased during November and December, perhaps as a result of screening operations, which gives credence to the proposition that neither the

TAT resources of SPB [redacted] are being utilized to the extent possible. Moreover, analysis of attachment I shows that the average value per line item handled by APSS was $655 and $289 for IPSS/GPB which implies that a significant percentage of actions processed by these elements may have been candidates for SPB [redacted] ST processing.

h. GPB once compiled statistics on the number of requisitions processed under Blanket Purchase Order Agreements (BPA). This operation was discontinued at the conclusion of fiscal year 74, but it is believed that the data compiled in this time frame can be extrapolated with a fair degree of accuracy. Attachment J shows that an average of 226 actions monthly were processed under BPA. Random sampling of these documents shows an average of 2.8 line items per action resulting in a monthly average of 632 line items. Interviews with GPB personnel confirm that procurement processing via the BPA route results in an appreciable savings in man-hours. While the PD survey did not attempt to determine whether or not this alternative was being utilized to the extent possible, it is believed that better utilization of it might be made.

i. Delegations of authority within GPB for commercial procurements appear restrictive and may produce a circular flow of documents which degrades rather than promotes organizational efficiency. Procurement Officers are delegated the authority to execute commercial instruments not exceeding $500 per instrument. Deputy Section Chiefs exercise approving authority for actions ranging from $501 to $2,500, whereas Section Chiefs may approve actions involving $2,501 through $10,000. The Branch Chief exercises approving authority for actions in the $10,001 to $50,000 range and the approval of the Chief, PD is required for

actions involving sums of $50,001 or more. The average dollar value of all purchase instruments processed by GPB can be computed on the basis of data contained in attachment I and averages out at $1,348 While the $1,348 represents a statistical average with percentage distributions above and below the average, it is reasonable to conclude an increase in the $500 delegation exercised by the procurement officer might result in a decrease in the number of actions rippling throughout the system for approval consideration. Increasing delegations may tend to limit circular document flows and improve system response times rather significantly.

j. Delegation for procurements via Federal Supply Schedule or under delivery order agreements are markedly different than those applied to commercial procurement. For example, Chief, GPB exercises approving authority up to $150,000 for these actions, whereas Section Chiefs are delegated approving authority up to $25,000. Deputy Section Chiefs under this scheme approve actions in the $501 to $10,000 range, and the procurement officers delegation is limited to $500. Again, relaxation of certain of these delegations could be expected to enhance GPB's quick-reaction capability.

k. Attachment C indicates that GPB processes approximately 685 purchase instruments monthly. This workload factor is currently handled by an average of STAT [redacted] personnel, using a 1 July 1974 through 31 December 1974 time frame. This strength figure includes Section Chiefs, along with subordinate procurement officers, who actually participate in the procurement process (see attachment K). Secretarial and clerical help is excluded from the figure. Assuming 20 work days in the average month and average production capability of [redacted] monthly, daily ST

TAT output may be estimated at [ ] purchase instruments. This daily output factor
TAT divided by the [ ] participants involved in the procurement process reduces
TAT to an average of [ ] purchase instruments per individual per day. This figure relates only to the initiation and management of purchase instruments for property but excludes man-hours expended in the negotiation and management of services contracts, followups, resolution of discrepancies, repair and return, amendments, solicitation of bids, and associative functions. Analysis of work flows in GPB show that the bulk of the service contracts tend to be clustered in the months of July, August, and September
TAT which confers credibility to the [ ] purchase instruments per individual per day estimate (see attachment D).

l. The production capacity of the [ ] seems not to have been maximized ST
to the extent possible. Attachment L notes that this component processed 705 requisitions in FY-72, 1,208 in FY-73, and 1,827 in FY-74. Apparently, this increase was directly attributable to the deactivation of the old Special Projects Unit (SPU) in May 1973 and resulted from management's decision to shift responsibilities for purchasing low cost, nonstocked materiel to [ ] STA
Mention was previously made of the fact that [ ] personnel intervened in the STA
procurement-assignment process in November and December of 1974. The fact that the system is capable of having one component operating at less than capacity while another is being stretched raises serious questions about the efficacy of the procurement-assignment function.

m. The procurement function is fragmented as is evidenced by the fact that SD exercises jurisdiction over SPB and IDSS, with PD being tasked for the
TAT management of [ ] GPB, and P&SCS. Procurement assignment responsibilities are

currently being handled by SMB/SD the impact of which is immediately telescoped to PD. Obviously, SMB personnel cannot know which procurement components are experiencing lax time or are being overtaxed and therefore the assignment process is inherently irrational. Were total procurement management responsibilities assigned to PD, however, problems would be created for SD because it would be controlled by, and not in control of, workload burdens generated externally as is PD in today's environment. Perhaps an interim solution would be to identify an individual within PD who would be responsible for passing requisitions to components of that division. SD would then continue to assign actions to IDSB and SPB until such time as the problem is resolved.

n. SPU, the predecessor organization to SPB, operated more efficiently than SPB because requisitioners were authorized to submit low cost, nonstocked requisitions directly to SPU. [redacted] ST

TAT [redacted]

TAT [redacted] Attachment M confirms that SMB diverts two out of every three requisitions processed by SPB. Assuming submission of requisitions directly to SPB, considerable savings in personnel costs would accrue as a result of excluding these transactions from the formal supply system for reasons described elsewhere in this study.

o. SPB's enabling charter incorporates several constraints which tend to limit the number of requisitions SMB may divert to that branch for supply action. For example, SPB may neither ". . . accept split procurement requisitions . . ." nor process requisitions which ". . . will be charged to a Property Procurement Allotment (PPA) number . . . ." (see attachment N). The combined effect of these limitations is that SPB must be capable of processing a requisition in its entirety or not at all. Moreover, SPB may execute a purchase order only if the requisition contains line items with a ". . . unit cost of $200 or less with a further limitation of $2,500 per line item or order to a single vendor . . ." (see attachment N).

p. Requisitions diverted to SPB are charged to funds allotted to the requisitioner rather than PRA. Adherence to the provisions of this costing and charging mechanism is time consuming because requisitions diverted to SPB cite PRA before entry into the formal supply system. Thus the diversion process sets off a chain reaction which increases workloads for all participants in the system for two reasons: first, SMB must notify the appropriate budget officer that diversion is contemplated to permit reversal of the PRA encumbrance and charge to funds; second, the budget officer may then be required to advise the requisitioner of the action contemplated to provide a vehicle for adjustment of his balances (example, Saigon).

q. Unit prices assigned to requisitions are frequently estimates and do not bear a close relationship with actual acquisition price. Assuming an estimated price of $200 or less was assigned to one of a number of line items diverted to SPB for supply action and that SPB discovers that the actual acquisition price will exceed $200 SPB must, under these circumstances, return the entire requisition to SMB for assignment to PD. Similarly, SPB must return an entire requisition to SMB if it is discovered that a single line item contained thereon requires " . . . more than 30 days to complete action from receipt of the request to shipment . . . .", or if the item is not ". . . available within the Washington, D. C., market area (Baltimore included for some items). . . ."

r. The desirability of loosening or lifting SPB constraints described in preceding paragraphs is considered feasible for four reasons: first, market shortages frequently interfere with the 30-day turn-around capability which triggers a very cumbersome reaction; second, advantages accrue to OL in

diverting as many actions as possible to SPB because vendor payment problems do not exist; third, accounting procedures for actions processed by SPB are less cumbersome and time consuming to implement than those associated with processing supply actions through the formal system; and fourth, SPB reaction time is demonstratedly better than that associated with other elements of the procurement system.

s. If OL elects to advertise the existence of SPB and encourages requisitioners to lay requirements direct upon that branch, many adverse processing burdens will be avoided. For example, a reduction in the number of diversions would eliminate the need for continual adjustments between PRA and funds. Moreover, SPB could easily transfer action for the procurement of nonexpendable materiel to PD without appreciable administrative burden because the frequency with which requisitioners place orders on direct delivery sources for this category of materiel is low. Accordingly, lifting or loosening many of the constraints placed on SPB, together with the advertisement of its existence, would do much to ease the burdens presently plaguing the supply and procurement systems.

t. The number of line items processed by OL has declined over the past 18-month time interval. Attachment O records line items processed monthly for this period which were translated into chart form in attachment P. The trend line shown in attachment P was not derived mathematically and may, therefore, be subject to some distortion in slope. Still the chart clearly reveals that the trend line is downward and, in the present environment, may experience an even greater decline before bottoming out. The question begged in the analysis

of attachments O and P can be simply stated "is it possible for the number of procurement actions processed to be increasing concurrently with a decline in the number of line item requisitions levied on the system?"

u. The situation described in the preceding paragraph could exist only if ratio of direct shipments to releases from stock increased. Analysis of attachment O indicates that 41 percent of the total materiel requirements were issued from stock during the July 1973 through December 1973 time frame - 32 percent during the January 1974 through June 1974 time frame - and 40 percent for the July 1974 through December 1974 time frame. These 6-month moving averages are reasonably comparable to ratios which have obtained for many years in the past. Attachment Q quantifies line items scheduled for procurement by select components for a similar time frame. Analysis of this attachment shows a downward trend in the number of line items procured which reinforces arguments presented in preceding paragraphs. Analysis of this attachment also confirms that the activation of SPB siphoned procurement actions away from GPB. Accordingly, analysis of attachment Q leads to the conclusion that backlogs in GPB would have strangled the system had SPB, or an alternate method, not been found to relieve the situation.

v. The central conclusion of this study is that the procurement function, together with procurement assignment responsibilities, should be placed under the command jurisdiction of either the Chief, SD or PD. Were it placed under the Chief, SD, PD would retain its responsibilities for the totality of service and production contract management. Only personnel of the GPB [redacted] would be ST transferred to SD. Conversely, if PD assumed responsibility for all procurements, resources of IDSB and SPB would be transferred out of SD as would

procurement assignment responsibilities. Of the two alternatives, the former is favored because it would place procurement responsibilities, other than those involving service and production contracts, under commodity teams thereby vesting acquisition, storage, and distribution-management responsibilities under a single individual from the birth to the death of an item.

w. The process of evaluating document flows and statistical data in order to determine how efficiently organizational components perform their assigned tasks entails both qualitative and quantitative considerations. In the course of this study, it became apparent that a considerable number of man-hours is spent accumulating statistical data at component level but that little, if any, effort is made to dovetail these routine collection requirements into meaningful formats for top-management review. Illustrative of these inadequacies is the fact that SD statistics indicate that 20,308 line items have been processed to elements of PD and SD for the period 1 July 1974 through 31 December 1974 (see attachment R). However, statistics accumulated by these selfsame components show that 22,319 line items have been processed for supply action. Somehow the gap between actual and reported progress must be bridged before sound performance measurement standards can be developed which provide a tool for qualitative evaluation.

x. OL's specifications for a computerized inventory management and control system were designed to achieve three basic management objectives: first, improvements in response times and managerial efficiency; second, the transfer of repetitively performed tasks - logic and arithmetic operations - to the computer; and third; the elimination of documentation which consumes endless man-hours to

store and maintain. While OJCS's General Information Management System (GIMS) software may be capable of meeting certain of these objectives with varying degrees of success, GIMS is not believed capable of meeting the totality of OL's data processing requirements.

y. Computers are generally programmed to generate outputs in any format providing necessary data elements exist in the data base. This capability provides a potential for generating purchase instruments without human intervention as reorder points are violated on stock items. Similarly the automated generation of purchase orders for materiel subject to direct shipment is based on the storage and retrieval of data inserted into the system as a result of initial inputs. Thus, a better coupling and linking of data processing requirements common to both inventory management and procurement functions has the potential of reducing manpower requirements while at the same time improving managerial efficiency.

z. The system now being developed by OJCS may be capable of accomplishing certain of our low level data processing requirements but is not believe capable of handling OL's unique requirements for specialized data needed in connection with the management of procurement and supply functions. For this reason, the acquisition of a mini-computing system may present itself as the only practical solution to the manpower problem. OL cannot become a totally paperless organization under GIMS but, given potential enchancements of mini-computer, may approach a paperless organization.

4. Conclusions:

a. The evaluation confirmed that procurement administrative leadtimes were inordinately long and have created or may create three discernible impacts on the system: first, SMB must respond to increased leadtimes with corresponding

increases in buy quantities thereby leading to a situation which will exhaust the Procurement Property Allotments at a faster rate than the Property Requisitioning Authority; second, larger than normal buys due to long procurement leadtimes, together with the fact that certain materiel is in short supply commercially, has encouraged execution of large buy orders and may create surges in receipts capable of straining OL's storage capability; and third, long procurement leadtime diminishes customer confidence in the system which increases the number of man-hours consumed in followup. Procurement administrative leadtime, as used in this study, represents the average time lag between the date SMB releases an action for procurement and the date the purchase instrument is prepared for transmittal to suppliers. When evaluating impact of leadtime on the total system, consideration also has to be directed to the time lapse which occurs between the time a reorder point is violated and the time SD initiates a replenishment requisition for purchase action. While this study did not dwell on this aspect of system leadtime, delays falling into this category appear to exist which further increases leadtime. The totality of these delays, of course, has a cascading impact on system stocking objectives and creates adverse side effects.

b. Agency procurement functions are highly decentralized, complex, and not subject to temporal analysis. For example, procurement responsibilities are lodged in SD and PD as well as the decentralized procurement teams. Evaluation of the latter would involve qualitative and quantitative analysis of workload distributions and analysis of command and control relationships outside the scope of this study. Accordingly, the study was limited to components of SD and PD

and concluded that responsibility for all property procurement, excluding contracting responsibility currently delegated to the Production and Services Contracts Staff (P&SCS), the ADP and Engineering Section, the decentralized procurement teams, and the initiation and management of service contracts should be consolidated and placed under the command jurisdiction of the SD. Consolidation under SD was considered the most efficient because it would place procurement responsibilities under commodity team managers thereby relaxing the vertical command and control structure and facilitate decision making which in turn would improve the efficiency of item management functions.

c. The Office of Joint Computer Support is currently designing an automated supply management system. The probability of this system's being able to satisfy OL's total data management needs in the near or distant future is low. Accordingly, the feasibility of linking procurement and supply management data requirements via mini-computer might well lead to labor saving results as well as increased managerial efficiency.

d. Interviews with PD personnel seem to indicate that backlogs in P&SCS are attributable more to the lack of trained clerical personnel than any observable deficiency in the procurement process. Backlogs in General Procurement Branch (GPB) appear to result from a lack of trained procurement personnel, the rigid command and control structure in which the operation is imbedded, and the lack of management mechanisms to schedule work flows in accordance with component processing capabilities.

e. Analysis of statistical data collected from the several OL components involved in the procurement function seem to indicate that utilization of resources

TAT assigned to SPB, [redacted] and GPB are not being maximized. This situation appears to be a direct outgrowth of rigidities in delegations of authority governing both SD

and PD activities together with the lack of rational procedures for assigning purchase actions to those elements best able to process them based on capability and workload factors. Achievement of a more rational procurement assignment capability would depend, in part, on standardization of reporting procedures which permit management personnel to flag elements whose resource utilization is not being maximized.

f. SPB is authorized to accept requisitions which contain unit and line item cost ". . . $200 or less with a further limitation of $2,500 per line item or order to a single vendor . . . ." Frequently, requisitions group an item costing $200 or more with one or more other low-cost items. Should the line item acquisition cost exceed the $200 limitation or the $2,500 order limit prescribed in SD's operating instructions, SPB must pass the requisition to another component for action. Relaxation of this constraint would increase the boundaries in the number and kinds of actions authorized for processing by SPB.

g. Under current delegations, SPB is not authorized to accept requisitions the turn-around time of which exceeds 30 days. Relaxation of this constraint would also provide an enabling vehicle for SPB to accept additional responsibilities. Moreover, the study revealed the fact that the business of SPB derives largely from requisitions diverted to SPB by SMF/SD/OL, rather than requisitions processed direct to SPB by customers. The act of diverting actions consumes needless man-hours of effort and would be avoided, in part, if OL advertised the existence of SPB as well as associative requisitioning processing procedures.

5. Recommendations: Recommendations set forth in this study are both short-range and long-range which are considered separately in succeeding sub-paragraphs as a means of resolving potential procurement leadtime, storage, and budgeting problems described in paragraph 4a.

a. Short Range:

(1) Relax delegations of authority within GPB in order to reduce the volume of documents flowing circularly for approval consideration.

(2) Explore the possibility of making more extensive use of blanket purchase order arrangements so as to reduce the volume of formal documentation initiated and managed by GPB.

(3) Standardize reporting requirements to make them compatible between Supply and Procurement Divisions and to permit measurement of procurement capabilities so that workloads might be more evenly assigned to the several components involved in the procurement function based on production capacities.

(4) Assignment of a qualified PD person to a position responsible for assigning purchase actions to a procurement component based on that components capacity to process the action.

(5) Advertise the existence of SPB and requisitioning procedures allowing for the direct submission of requisitions to that branch thereby keeping small dollar value requisitions from entering the formal supply system.

(6) Allow SPB to accept requisitions containing item(s) costing $200 or more in instances where the item(s) is included on requisition(s) containing other low dollar value materiel. Perhaps an increase in this

delegation to $1,000 may prove feasible.

(7) Extend the turn-around time for actions scheduled for processing by SPB to 60 days thereby relaxing the 30-day constraint currently in existence.

(8) Authorize SPB to place purchase instruments on vendors outside the Washington and Baltimore areas.

b. Long Range:

TAT (1) Incorporate GPB and [redacted] into SD commodity teams.

(2) Authorize the initiation of a study designed to demonstrate the feasibility of employing a mini-computer to integrate data processing requirements associated with the exercise of procurement and inventory management functions.